

Contingency, Management Reserve (MR), and Undistributed Budget (UB)

What These guidelines serve as reference to understand Contingency, MR, and UB.

Why Use these guidelines to clarify the Fermi National Accelerator Laboratory (FNAL) definition and application of Contingency, MR, and UB.

1 Contingency

1.1 Definition:

Contingency is the portion of the project budget that the customer such as, the Department of Energy (DOE) or another funding agent, holds in reserve to accommodate known and unknown risks that are within the project's scope. Contingency may also be utilized to perform additional or inadvertently omitted scope necessary to meet project mission requirements.

Note: Contingency is **NOT** part of the project baseline budget, which is often referred to as the Performance Measurement Baseline (PMB).

1.2 Reference:

For more information on Contingency, see the Fermilab Earned Value Management System Description.

2 Management Reserve

2.1 Definition:

MR is the portion of the project budget allocated by the customer and under the authority of the project for management control purposes rather than being designated for the accomplishment of specific tasks. Its purpose may also be pre-defined by the customer. It is not part of the Performance Measurement Baseline (PMB).

2.2 Workflow:

MR starts with a reserve, which may vary by project. As the project authorizes changes to the baseline through Baseline Change Request (BCR) or field authorized changes, the Budgeted Cost of Work Scheduled (BCWS) transfers from MR to the appropriate Work Breakdown Structure (WBS).

2.3 MR Balance Replenishment:

When the MR balance is depleted, the Project Manager (PM) provides the customer with the BCR documentation set that tracks the depletion history of the MR. The BCR documentation is reviewed by the customer, who conveys appropriate action to the PM regarding future MR actions such as, authorizing the project to replenish its MR bank for future BCRs.

3 Undistributed Budget

3.1 Definition

UB is budget that is associated with specific work scope or contract changes that have not been assigned to a control account or summary level planning package.

3.2 UB Workflow

UB is a temporary budget register used to transfer BCWS from MR or from contingency, depending on the size of the transfer to areas of the WBS in the PMB. The transfer from the funding source to the WBS using UB is temporary and should occur within thirty days.

UB is used in the funding transfer process for approved work that is not fully understood or estimated. For example, in construction projects, field changes are additional activities of work that are in scope but not budgeted.

PMs may delegate field change authorization to manage unexpected work that must proceed quickly for safety or other urgent reasons. The field change authorizes work to proceed based on a Rough Order of Magnitude (ROM) estimate, which draws from MR and is placed in UB until the work is fully priced. The UB process is also used for work outside the Performance Measurement Baseline (PMB) when the customer requests additional work to be done by a formal directive, which is typically based on ROM estimates. Once the plan and estimate are fully established, the BCWS is added via BCR. The funding reserved in UB is then appropriately distributed in the WBS and added to the PMB following the associated BCR process. The ROM and completed estimate may have significant differences and reconciliation of the estimates must occur. For example, if the ROM overestimated the BCWS required, the overestimated amount is returned to MR. Conversely, underestimated BCWS is removed from MR and added to the UB prior to distribution into the PMBs WBS. UB is a budget line item and is part of the project's PMB.

Note: To prevent double counting its scope, UB should not be accounted for in Estimate at Completion (EAC) calculations.

4 Document Revision History

Date	Version	Author	Description
10/15/2014	1.0	Richard Marcum	This is the initial release of the Contingency, MR, and UB Guidelines.